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RUEHC/SECSTATE WASHDC PRIORITY 7887
INFO RUEHBR/AMEMBASSY BRASILIA 8749
RUEHCV/AMEMBASSY CARACAS 1861
RUEHLP/AMEMBASSY LA PAZ MAR LIMA 7180
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SENSITIVE
SIPDIS

TREASURY FOR ARUSHING AND LMANTEL

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [OVIP](#) [EAID](#) [SNAR](#) [CO](#)
SUBJECT: SCENESETTER FOR TREASURY SECRETARY GEITHNER'S
VISIT TO MEDELLIN, MARCH 29, 2009

¶1. (SBU) SUMMARY: As the first Cabinet Secretary of the new administration to visit Colombia, your trip comes at a key time in the U.S.-Colombia bilateral relationship. Evidenced by its hosting of the Inter-American Development Bank's 50th Annual Meeting in Medellin, Colombia has progressed from a near failed state and terrorist haven to an economic, political, and social leader in Latin America over the last decade. Improved security and economic reform has grown the economy, reduced poverty, and attracted record levels of investment. The GOC has leveraged these successes beyond its borders by playing a more prominent role in region on issues including security, trade, and energy policy. Nevertheless, drug trafficking and social divides still prevent millions of citizens from benefiting fully from security and economic gains. While its financial sector has remained largely insulated from the recent global crisis, the economic impact of decreasing foreign direct investment, higher credit costs, and reduced trade are slowing the economy this year and likely to exacerbate Colombia's social challenges in the near term. Despite Colombia's significant progress, USG support remains critical to help the GOC confront its persistent challenges. End Summary.

Economic Growth and Free Trade

¶2. (SBU) After several years of strong economic growth, Colombia has begun to feel the pinch of the global economic crisis. Growth slowed to 3.5 percent in 2008 after a record rate of 7.5 percent in 2007. Recent growth projections for 2009 range from 0 to 2 percent. Reacting to the anticipated economic slowdown in 2009, the Government of Colombia (GOC) plans to cut the national budget by \$1.4 billion. The cuts include defense spending and social programs that are critical to addressing many of the catalysts for the civil conflict. The slowing economy and a pyramid scandal in 2008 that cost Colombians an estimated \$1 billion in savings has led to growing popular concern over pocketbook issues. Further economic decline could generate more social unrest, strikes and protests in Colombia in the run up to the May 2010 national elections.

¶3. (SBU) Colombia remains highly dependent on commodity exports (petroleum, coal, flowers, coffee), making it vulnerable to price drops. Colombia cut unemployment and poverty during the past six years, but those gains have stalled. The financial sector remains solid -- cushioned to date against the global credit crunch by conservative lending practices. The GOC inked trade deals with Canada, Chile, Central America and smaller European countries in the last year. The GOC is now negotiating an agreement with the EU.

The U.S.-Colombia Trade Promotion Agreement (CPTA) remains a bilateral priority for the Colombian government and private sector, and the GOC may consult with you as to how it can work together with the Congress to promote its passage.

Democratic Security Advances

14. (SBU) Colombia has achieved successes in its fight against the FARC, National Liberation Army (ELN) and emerging criminal groups. The rescue of 15 high-profile FARC hostages in July 2008, including three Americans, and the deaths of key FARC leaders highlight Colombia's progress in security. Colombian security forces captured or killed a number of mid-level FARC leaders, and reduced the space in which terrorists can operate freely. A record number of FARC members deserted in 2008--including mid and high-level commanders. Total demobilizations of illegal armed groups reached 3461 in 2008--primarily from the FARC--making it the highest level of demobilizations in Colombia's history.

15. (SBU) With USG help, in 2008, Colombia again set records in eradication and interdiction of drugs, while further reducing murder and kidnapping rates. Colombia extradited a record 208 criminals, narcotraffickers and terrorists to the United States in 2008, including 15 senior ex-paramilitary leaders; Colombia has already extradited more than 20 criminals in 2009. The number of homicides fell for the sixth consecutive year, dropping to 16,140 (or 33 for every 100,000 habitants), 45 percent lower than 2002 levels.

Regional Context

16. (SBU) Colombia sees itself as a key U.S. ally in an Andean region increasingly hostile to U.S. values and goals. Ecuador broke diplomatic relations with Colombia after a military strike in March 2008 against FARC Commander Raul Reyes's camp just across the border in Ecuador. The GOC maintains a moderate tone with Ecuadorian President Correa, despite his often angry rhetoric. Ecuador recently imposed strict requirements on Colombians wishing to travel to their southern neighbor.

17. (SBU) Relations with Venezuela are now stable, and have improved since Venezuela recalled its ambassador following the Reyes attack. Presidents Uribe and Chavez met in late January 2009 in Cartagena, announcing several vague economic cooperation agreements. However, Colombia remains wary of Venezuelan ties to the FARC, as evidenced in the computers found in the Raul Reyes camp. Beyond the Andes, Colombia is helping Mexico to combat terrorism, narcotrafficking and other criminal activity. Colombia is also working with Mexico, Chile, Peru and Brazil to promote economic integration and strengthen democratic institutions in Latin America. Colombia has also offered to send engineering and special forces to Afghanistan under NATO auspices, and contributes troops to the Multi-National Observer Forces in the Sinai.

Serious Challenges Ahead

18. (SBU) Despite advances in security and development, challenges related to violence, narcotrafficking, displacement, human rights, labor rights, and minority groups remain. We estimate the FARC has some 9000 fighters in the field, and organized narcotrafficking groups continue to cause violence. Internal displacement due to the armed conflict remains serious, with three million displaced by violence since 1995. Deep historical social divides make it difficult for millions from the Afro-Colombian and indigenous populations to benefit fully from security and economic gains. These minority groups suffer from limited education, health care, and employment opportunities, and disproportionate forced displacement in the mostly isolated rural areas where they reside.

¶9. (U) Through the Center for Coordinated and Integrated Action (CCAI), the GOC is recovering territory previously held by illegal armed groups and establishing government, state services and securing vulnerable communities. In 2008, the GOC reestablished a government presence in all 1098 municipalities and all the country's mayors once again resided within their municipalities. A coordination plan for Macarena--the historic heartland of the FARC--aims to establish a permanent military, police and civilian presence in post-conflict areas--some of which have never seen a viable GOC presence. Challenges remain, as resource, security and staffing shortfalls continue to limit the initiative. The United States, through USAID, MILGRP and NAS, provides assistance to CCAI.

USAID: Aiding Communities At Risk

¶10. (U) Under Plan Colombia, the USG has provided more than \$950 million in economic and social assistance via USAID. USAID's initiatives have delivered legal jobs, social services, and development in narco-trafficking and conflict zones. We are reintegrating thousands of Colombians who have demobilized, abating child recruitment into armed groups, and increasing social services for victims of conflict. We are restoring citizen confidence in governance, improving the criminal justice system and institutions, increasing the poor's access to justice, and promoting human rights through investigation and prosecution of human rights and labor-related cases. These programs focus on communities at high-risk of violence, provide legal and psycho-social assistance, and strengthen key Government oversight and judicial institutions.

¶11. (U) USAID's alternative development program is a key component of our counter-narcotics efforts. It promotes sustainable economic opportunities in regions vulnerable to drug production and conflict. These programs create jobs and economic opportunities in areas recently retaken from illegal armed groups and build the social infrastructure to mitigate future conflict. USAID is expanding social and economic opportunities and improving livelihoods for Afro-Colombians and indigenous communities disproportionately affected by conflict. These programs provide jobs, education, health care housing, and social services for these vulnerable populations.

DOJ: Providing Justice Reform

¶12. (U) The Department of Justice (DOJ) coordinates a multifaceted program focused on strengthening the Colombian criminal justice system, its institutions, processes and personnel. This program involves six major areas: implementation of an accusatory system; human rights investigations and prosecutions; Justice and Peace investigations and prosecutions; complex areas of criminal law; improved forensics capability; and witness protection. The bulk of the assistance is provided through training and technical assistance to the Prosecutor General's Office.

NAS: Eradicating, Training, Nationalizing

¶13. (U) We made real strides in battling narcoterrorism in Colombia in 2008. The most recent U.S. figures for cocaine production in Colombia show a 24 percent reduction in production since the peak year 2001. In 2008, Colombian security forces seized 245 metric tons of cocaine and coca paste, eradicated 230,000 hectares of coca and destroyed 3667 drug labs. We kept hundreds of metric tons out of the United States. We have reduced the funds available to the FARC and other criminal groups for the purchase of weapons and explosives, corruption of public officials, and coercion of local populations.

New Initiatives

¶14. (SBU) We are working with the GOC, other governments, and international organizations to develop an initiative to consolidate the gains made to date in key conflict areas. The initiative builds on current and past USG and GOC programs, and involves close coordination of security, eradication, alternative development, energy, and institutional development programs. The initiative's primary goal is to provide incentives for Colombian citizens to join the licit economy in the conflict zones plagued by coca cultivation, narcotrafficking and illegal armed groups. These targeted regions produce roughly 80 percent of the coca in Colombia and serve as major trafficking hubs, with a high incidence of violence and displacement.
NICHOLS